AMENDED IN ASSEMBLY MARCH 15, 2006 AMENDED IN ASSEMBLY JUNE 14, 2005

SENATE BILL

No. 74

Introduced by Committee on Budget and Fiscal ReviewSenator Perata and Assembly Member Nunez

January 14, 2005

An act relating to the Budget Act of 2005. An act to add Chapter 1.699 (commencing with Section 5096.800) to Division 5 of the Public Resources Code, relating to financing a flood protection program, by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 74, as amended, Committee on Budget and Fiscal Review Perata. Budget Act of 2005. Emergency Flood Protection and Levee Repair Bond Act of 2006.

Under existing law, various measures have been approved by the voters to provide funds for water projects, facilities, and programs.

This bill would enact the Emergency Flood Protection and Levee Repair Bond Act of 2006, which, if adopted, would authorize the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of \$4,150,000,000 for the purposes of financing a specified flood protection program.

The bill would require the Secretary of State to submit the bond act to the voters at the June 6, 2006, statewide primary election. The bill would appropriate \$15,000,000 from the General Fund to the Secretary of State for related election expenses.

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The bill would declare that it is to take effect immediately as an urgency statute.

This bill would express the intent of the Legislature to make statutory changes relating to the Budget Act of 2005.

Vote: majority ²/₃. Appropriation: no-yes. Fiscal committee: no yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 1.699 (commencing with Section 2 5096.800) is added to Division 5 of the Public Resources Code, 3 to read:

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Chapter 1.699. Emergency Flood Protection and Levee Repair Bond Act of 2006

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Article 1. General Provisions

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5096.800. This chapter shall be known, and may be cited, as the Emergency Flood Protection and Levee Repair Bond Act of 2006.

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Article 2. Definitions

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5096.805. Unless the context otherwise requires, the definitions set forth in this article govern the construction of this chapter.

- (a) "Board" means the Reclamation Board.
- (b) "Committee" means the Emergency Flood Protection and Levee Repair Bond Finance Committee, created by Section 5096.957.
- (c) "Delta" means the area of the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code.
 - (d) "Department" means the Department of Water Resources.
- (e) "Facilities of the State Plan of Flood Control" means the levees, weirs, channels, and other features of the federal and state authorized flood control facilities located in the Sacramento and San Joaquin River drainage basin for which the board or the department has given the assurances of nonfederal cooperation

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to the United States required for the project, and those facilities identified in Section 8361 of the Water Code.

- (f) "Fund" means the Emergency Flood Protection and Levee Repair Bond Fund of 2006, created by Section 5096.806.
- (g) "Project levees" means the levees that are part of the facilities of the State Plan of Flood Control.
- (h) "State General Obligation Bond Law" means the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code).
- (i) "State Plan of Flood Control" means policy and plans related to the state and federal flood control works, lands, programs, plans, conditions, and mode of maintenance and operations of the Sacramento River Flood Control Project described in Section 8350 of the Water Code, and of flood control projects in the Sacramento River and San Joaquin River watersheds authorized pursuant to Article 2 (commencing with Section 12648) of Chapter 2 of Part 6 of Division 6 of the Water Code for which the board or the department has provided the assurances of nonfederal cooperation to the United States, which shall be updated by the department and compiled into a single document entitled "The State Plan of Flood Control."
- (j) "Urban area" means any contiguous area in which more than 10,000 residents are protected by project levees.

Article 3. Emergency Flood Protection and Levee Repair Bond Fund of 2006

5096.806. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Emergency Flood Protection and Levee Repair Bond Fund of 2006, which is hereby created.

Article 4. Flood Protection Program

5096.820. (a) The sum of four billion one hundred fifty million dollars (\$4,150,000,000) shall be available, upon appropriation therefor, for flood protection projects pursuant to this article as follows:

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 (1) Not less than one billion dollars (\$1,000,000,000) for levee evaluation and repair and related work pursuant to Section 5096.821.

- (2) Not less than one billion dollars (\$1,000,000,000) for flood control system improvements pursuant to Section 5096.822.
- (3) Not less than four hundred million dollars (\$400,000,000) for delta levee protection pursuant to Section 5096.823.
- (4) Not less than seven hundred million dollars (\$700,000,000) for flood control subventions pursuant to Section 5096.824.
- (5) Not less than three hundred million dollars (\$300,000,000) for flood control corridors and bypasses pursuant to Section 5096.825.
- (6) Not less than ninety million dollars (\$90,000,000) for floodplain mapping and related activities pursuant to Section 5096.826.
- (7) Not less than five hundred million dollars (\$500,000,000) for stormwater flood management pursuant to Section 5096.827.
- (b) In expending funds pursuant to this article, the department shall do all of the following:
- (1) Secure the maximum feasible amounts of federal and local matching funds to fund flood protection projects in order to ensure prudent and cost-effective use of these funds to the extent that this does not prohibit timely implementation of this article.
- (2) Prioritize project selection and project design to achieve maximum public benefits from the use of these funds.
- (3) Commencing January 10, 2007, and annually thereafter, in conjunction with the Governor's budget submitted pursuant to Section 13337 of the Government Code, the department shall submit to the Legislature an annual Bond Expenditure Flood Protection Plan that describes in detail the proposed expenditures of bond funds, a strategy to provide adequate ongoing maintenance, the amount of federal appropriations and local funding obtained to fund flood protection projects to match expenditures of bond funds, and an investment strategy to meet long term flood protection needs and minimize state taxpayer liabilities from flooding.
- 38 5096.821. Not less than six hundred million dollars 39 (\$600,000,000) shall be available, upon appropriation to the 40 department, for the evaluation, repair, rehabilitation,

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reconstruction, or replacement of facilities of the State Plan of Flood Control by any of the following actions:

- (a) Repairing erosion sites and removing sediment from channels or bypasses.
- (b) Evaluating and repairing levees and any other facilities of the State Plan of Flood Control.
- (c) Implementing mitigation measures for a project undertaken pursuant to this section. The department may fund participation in a natural community conservation plan pursuant to Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code to facilitate projects authorized by this section.

5096.822. Not less than four hundred million dollars (\$400,000,000) shall be available, upon appropriation to the department, for improving or adding facilities to the State Plan of Flood Control to increase levels of flood protection for urban areas, including all related costs for mitigation and infrastructure relocation. Funds made available by this section may be expended for state financial participation in federal and state authorized flood control projects, feasibility studies and design of federal flood damage reduction and related projects, and reservoir reoperation and groundwater flood storage projects. Not more than two hundred million dollars (\$200,000,000) may be expended on a single project, excluding authorized flood control improvements to Folsom Dam.

5096.823. (a) Not less than four hundred million dollars (\$400,000,000) shall be available, upon appropriation to the department, to reduce the risk of levee failure in the delta.

- (b) The funds made available by this section shall be expended for both of the following purposes:
- (1) Local assistance under the delta levee maintenance subventions program under Part 9 (commencing with Section 12980) of Division 6 of the Water Code, as that part may be amended.
- (2) Special flood protection projects under Chapter 2 (commencing with Section 12310) of Part 4.8 of Division 6 of the Water Code, as that chapter may be amended.
- 5096.824. (a) Not less than seven hundred million dollars (\$700,000,000) shall be available, upon appropriation to the department, for payment for the state's share of the nonfederal

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1 costs of flood control and flood prevention projects adopted and

- 2 authorized under the State Water Resources Law of 1945
- 3 (Chapter 1 (commencing with Section 12570) and Chapter 2
- 4 (commencing with Section 12639) of Part 6 of Division 6 of the 5 Water Code), the Flood Control Law of 1946 (Chapter 3
- 6 (commencing with Section 12800) of Part 6 of Division 6 of the
- 7 Water Code), and the California Watershed Protection and
- 8 Flood Prevention Law (Chapter 4 (commencing with Section
- 9 12850) of Part 6 of Division 6 of the Water Code), including the
- 10 credits and loans to local agencies pursuant to Sections 12585.3
- and 12585.4 of the Water Code, subdivision (d) of Section
- 12 12585.5 of the Water Code, and Sections 12866.3 and 12866.4 of
- 13 the Water Code, and to implement Chapter 3.5 (commencing
- with Section 12840) of Part 6 of Division 6 of the Water Code,

15 and related costs.

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- (b) The funds made available by this section shall be allocated only to projects that are not part of the State Plan of Flood Control.
- 5096.825. Not less than three hundred million dollars (\$300,000,000) shall be available, upon appropriation to the department or the board, for the protection, creation, and enhancement of flood protection corridors and bypasses through any of the following actions:
- (a) Acquiring easements and other interests in real property to protect or enhance flood protection corridors and bypasses while preserving or enhancing the agricultural use of the real property.
- (b) Constructing new levees and associated flood protection structures necessary for the establishment of a flood protection corridor or bypass.
- (c) Setting back existing flood control levees and, in conjunction with undertaking those setbacks, strengthening or modifying existing levees and weirs.
- (d) Relocating or floodproofing structures necessary for the establishment of a flood protection corridor.
- (e) Acquiring interests in real property located in a floodplain that cannot reasonably be made safe from future flooding.
- (f) Acquiring easements and other interests in real property to protect or enhance flood protection corridors while preserving or enhancing the wildlife value of the real property.

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5096.826. Notwithstanding Section 16727 of the Government Code, not less than ninety million dollars (\$90,000,000) shall be available, upon appropriation to the department, for the purposes of floodplain mapping and related activities, including both of the following:

- (a) The development of flood hazard maps, including all necessary studies and surveys.
 - (b) Alluvial fan floodplain mapping.

5096.827. Not less than five hundred million dollars (\$500,000,000) shall be available, upon appropriation to the department, for grants for stormwater flood management projects that meet all of the following requirements:

- (a) Have a local cost share of not less than 50 percent.
- (b) Are not part of the State Plan of Flood Control.
- (c) Are designed to manage stormwater runoff to reduce flood damage and, where feasible, provide other benefits, including groundwater recharge, water quality improvement, and ecosystem restoration.
- (d) Comply with applicable regional water quality control plans.
- (e) Are consistent with integrated regional water management plans, if applicable.

5096.828. Funds provided by this article are only available for appropriation until June 30, 2016, and at that time the amount of indebtedness authorized by this chapter shall be reduced by the amount of funds provided by this article that have not been appropriated.

Article 5. Miscellaneous Provisions

5096.951. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the development and adoption of program guidelines and selection criteria adopted pursuant to this chapter.

5096.953. The Secretary of the Resources Agency shall provide for an independent audit of expenditures pursuant to this chapter to ensure that all moneys are expended in accordance with the requirements of this chapter. The secretary shall publish a list of all program and project expenditures pursuant to this chapter not less than annually, in written form, and shall post an

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electronic form of the list on the Resources Agency's Internet Web site.

Article 6. Fiscal Provisions

5096.955. (a) Bonds in the total amount of four billion one hundred fifty million dollars (\$4,150,000,000), not including the amount of any refunding bonds issued in accordance with Section 5096.966, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute valid and binding obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) The Treasurer shall sell the bonds authorized by the committee pursuant to this section. The bonds shall be sold upon the terms and conditions specified in a resolution to be adopted by the committee pursuant to Section 16731 of the Government Code.

5096.956. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law, and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

5096.957. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Emergency Flood Protection and Levee Repair Bond Finance Committee is hereby created. For purposes of this chapter, the Emergency Flood Protection and Levee Repair Bond Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Director of Finance, and the Treasurer, or their designated representatives. The Treasurer shall serve as

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chairperson of the committee. A majority of the committee may act for the committee.

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(b) For purposes of the State General Obligation Bond Law, the department is designated the "board."

5096.958. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter to carry out this chapter and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

5096.959. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

5096.960. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

- (a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.
- (b) The sum that is necessary to carry out Section 5096.963, appropriated without regard to fiscal years.

5096.961. The department may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The department shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be

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5096.962. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

5096.963. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, with interest at the rate earned by the money in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

5096.964. All money deposited in the fund that is derived from premium and accrued interest on bonds sold pursuant to this chapter shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

5096.965. Pursuant to Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, the cost of bond issuance shall be paid out of the bond proceeds. These costs shall be shared proportionally by each program funded through this bond act.

5096.966. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for

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the issuance of the bonds under this chapter shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

5096.967. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

- SEC. 2. Notwithstanding the requirements of Sections 9040, 9043, 9044, 9061, and 9082 of the Elections Code or any other provision of law, the Secretary of State shall submit Section 1 of this act to the voters at the June 6, 2006, statewide primary election.
- SEC. 3. Notwithstanding Sections 13115 and 13117 of the Elections Code, Section 1 of this act shall be placed second on the ballot for the June 6, 2006, statewide primary election, and shall be designated as Proposition 1B.
- SEC. 4. (a) Where voting in the election is done by means of voting machines used pursuant to law in a manner that carries out the intent of Section 6 of this act, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with Section 6.
- (b) Notwithstanding Section 13282 of the Elections Code, the public shall be permitted to examine the condensed statements of the ballot titles for Proposition 1B for not more than three days. Any voter may seek a writ of mandate for the purpose of requiring any statement of either ballot title, or portion thereof, to be amended or deleted only within that period.
- SEC. 5. (a) The Secretary of State shall include, in the ballot pamphlets mailed pursuant to Section 9094 of the Elections Code, the information specified in Section 9084 of the Elections Code regarding the bond act contained in Section 1 of this act.
- (b) If that inclusion is not possible, the Secretary of State shall publish a supplemental ballot pamphlet regarding the bond act contained in Section 1 of this act, to be mailed with the ballot pamphlet. If the supplemental ballot pamphlet cannot be mailed with the ballot pamphlet, the supplemental ballot pamphlet shall be mailed separately.

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SEC. 6. (a) Section 1 of this act shall become effective only upon approval by the voters at the June 6, 2006, statewide primary election of the Emergency Flood Protection and Levee Repair Bond Act of 2006, as set forth in that section.

(b) Notwithstanding any other provision of law, with respect to the bond act set forth in Section 1 of this act, all ballots of the June 6, 2006, statewide primary election shall have printed thereon and in a square thereof, the words "Emergency Flood Protection and Levee Repair Bond Act of 2006" and in the same square under those words, the following in 8-point type:

"To fund flood protection projects, the state shall issue bonds totaling four billion one hundred fifty million dollars (\$4,150,000,000)."

- (c) Opposite the square, there shall be left spaces in which the voters may mark the ballot in the manner required by law to indicate whether they vote for or against the act.
- SEC. 7. Notwithstanding Sections 13247 and 13281 of the Elections Code, the language in Section 6 of this act shall be the only language included in the ballot label for the condensed statement of the ballot title, and the Attorney General shall not supplement, subtract from, or revise that language, except that the Attorney General may include the financial impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code. The ballot label is the condensed statement of the ballot title and the financial impact summary.
- SEC. 8. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.
- SEC. 9. The sum of fifteen million dollars (\$15,000,000) is hereby appropriated from the General Fund to the Secretary of State for expenditure in the 2005–06 fiscal year for the purpose of covering expenses incurred by the Secretary of State's office related to the printing and mailing of the principal and supplemental ballot pamphlets for the statewide primary election to be held on June 6, 2006. Any funds not expended for this specific purpose shall revert to the General Fund.
- 39 SEC. 10. This act is an urgency statute necessary for the 40 immediate preservation of the public peace, health, or safety

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within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

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In order to ensure, at the earliest possible time, that the electorate is provided with the opportunity to vote on a program to repair and improve California's flood protection system, including levees, for the protection and safety of life, property, the economy, and the environment, and to ensure reliable water quality and water supply.

SECTION 1. It is the intent of the Legislature to make statutory changes relating to the Budget Act of 2005.